

May 31, 2002

The Honorable Tommy Thompson  
Secretary of Health and Human Services  
U. S. Department of Health and Human Services  
200 Independence Avenue SW  
Washington DC 20201

Dear Secretary Thompson:

It gives me great pleasure to submit to you Oregon's application for waivers to amend and expand our current demonstration project under Section 1115 of the Social Security Act. Attached you will find an application for an amendment to our current 1115 waiver, and, in addition, a HIFA waiver application. These two waivers together, if approved, will permit an incremental expansion of the Oregon Health Plan up to 185% of the Federal Poverty Level, and a projected increase in Oregonians served of approximately 65,000 clients when fully implemented. A substantial amount of this expansion will occur in an employer sponsored health insurance program, the Family Health Insurance Assistance Program.

The Medicaid portion of the Oregon Health Plan (OHP) has operated under an 1115 demonstration waiver since it was implemented in 1994. Under the OHP, Oregon has expanded access to health care to 380,000 people, approximately 11% of the state population. Since implementation of the OHP, uninsurance in Oregon has dropped from 18% to 12% overall with the rate of uninsurance for children dropping from 21% to 8%. The current waiver allows the state to cover most Oregonians under 100% of poverty (pregnant women are covered to 170% of poverty and Oregon's CHIP program covers uninsured children to 170% of poverty), using a prioritized list to define the OHP benefit package and using managed care as the preferred delivery system. All Medicaid recipients in Oregon (including the elderly and disabled) are enrolled in the OHP.

Oregon is currently operating under a second 3-year extension of the original 1115 waiver that expires January 31, 2005. The state will continue to operate the OHP under the new extension until approval of the new waivers. Oregon hopes to begin implementation under the new waivers effective October 1, 2002.

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As originally envisioned, costs in the OHP were to be controlled by reducing covered benefits using the prioritized list. Because of CMS concerns about reducing benefits to categorical Medicaid eligibles, we have not recently had the ability to adjust benefits in this way to control costs. The current version of the OHP is rapidly exceeding the state's ability to fund it. Oregon wishes to reform and expand the OHP to achieve more flexibility to control costs, expand access to care to those with incomes under 185% of poverty and increase enrollment in employer sponsored health insurance.

The state is asking for an amendment to the current 1115 waiver and in addition for a new HIFA waiver. The purpose of the HIFA waiver will be to allow the state to use the balance of Oregon's currently unspent SCHIP allocation (approximately \$20 million per year).

We in Oregon are proud of the accomplishment represented by these waiver applications. They are the result of a bipartisan effort in the 2001 Oregon Legislature, resulting in HB 2519, which outlined the policy framework and the process for expansion of the Oregon Health Plan using savings created by a basic benefits package for the OHP Standard population. Extensive public outreach and a very public process were used to create the waiver applications. The resulting waivers are a result of extensive discussion, debate, and compromise as we crafted the final plan to provide at least a basic health benefit program for as many Oregonians as possible.

I hope that you and the expert panel that you convene to review these waiver applications will agree that this is a bold new way of providing basic health care for more Oregonians and you will grant the waivers as requested. We look forward to your support, and to working with you as we discuss and come to agreement on these waiver applications for the Oregon Health Plan on an expedited review timeline.

Sincerely,

John A. Kitzhaver, MD

Enclosures